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Collection of Prices in Service Activities- transport, rent & other activities

Egypt's Experience

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I. Introduction

Planning in Egypt started in fact 3 years before the initiation of the 1st five years plan of 1959/60. In 1956 the general framework of planning was drawn. It required amongst other things a basic survey of the country's human and natural resources, the assessment of national income, its sources, essential requirements of consumption, patterns of consumers expenditures on goods and services at the different social levels .... etc. It is noteworthy to mention that population ccensus was already a successful practice since 1897 and was carried out every 10 years, providing a comprehensive frame work of buildings. This frame work was the basis of outlining many sample surveys.

One of these surveys that has relevant direct relation with the topic of this paper is the family budget sample survey. Besides, this paper is intended to detect briefly the actual procedures followed by the ministry of planning in collecting prices of rent and transport of passengers and commodities in the existing sectors of the economy, the public, the cooperative and the private sectors.

II. Definitions

From the point of view of price statistics in service activities, the following definitions may be considered:-

Transport prices: The actual paid cost for:-

Activity	Passenger transportation	Goods transportation
Railways	Passengers' Kilometer	Ton/Kilometer
Roads	" "	" "
Rivers	" ""	" "
Pipe lines		" "
Air	" "	" "
Sea	Passenger/sea-mile	Ton/Sea-mile
Suez Canal	Net tonnage of passing ships	ship

- The passenger kilometer represents the transportation of 1 passenger for 1 kilometer.
- The ton/kilometer represents the transportation of one ton of goods for 1 kilometer.
- Valuation of prices is based on the actual cost of the service paid by the last consumer.
- Transportation through the Suez Canal is based upon the actual revenues of the service.

Rent definition: may be taken as the price actually paid or imputed for similar characteristics, for using an unfurnished dwelling.

III. The actual procedures of collecting prices in service activities at the Ministry of Planning

A. **First:** Transport

a. Passenger's transportation

This service activity is rendered by 3 main sectors: government and public, private and cooperative societies.

1. The Egyptian-Govt.-Railways * transport passengers at officially fixed fares according to distances, classes and type of service. It is usually fixed in advance to cover at least the running costs of the service.
2. Public transport in big cities including busses trames, electrified means of transport .... etc. All these means of transportation are run also according to pre-fixed fares by the government.
   - Both the railways and the public transportation in cities are subsidized by the government.
3. Public transport between governorates are also subject to government pre-fixed fares.
4. Private transport whether in cities or between cities is subject to pre-fixed official fares yet, in real practice **taxi**-fares whether with counters or without, usually charge about 25% over and aobve the officially fixed rates in cities and about 50-70% over and above the officially fixed rates between cities. This is due to the fact that officially fixed rates for both public and private transport means are subject to relative comparability which results in approximated fares. While public transport is subsidized by the government, private transport is not.
5. River transport is subject to officially prefixed fares, though in fact passengers transport by private boats and tourist ships are subject to bargaining.
6. Sea and air transports - are of course subject to international fares, rates and bilateral agreements.

b. Goods transportation

1. The Eg.-Govt. Railways are subject to pre-fixed official rates for different goods and tonnages.
2. Road transport whether by private or cooperative means are subject to bargaining according to supply and demand forces. This goes for transport means both in cities or between cities.
3. River and sea transport: are subject to contract agreements according to supply and demand mechanism.
4. Air transport is subject to international freight rates.

B. Second: rents

Before 1952 revolution, all gross rents in respect with dwellings, actual and imputed - in the case of owner occupied buildings - were valuated at the rent level prevailing in similar housing units, having almost the same specifications and similar location characteristics, according to supply and demand mechanism of the available buildings. In rural areas, buildings, mainly dwellings of different types were usually owner-occupied. Thus, indirect measures, as the imputed cost of construction, were commonly used for imputing their rental values. After the revolution successive laws were issued aiming at the devaluation of the rental values based upon the prevailing actual paid-rents.

- The 1st of the these laws was law No. 199 issued in September 1952 devaluating rents of all buildings that has been constructed since January 1944 by a ratio of 15% and starting validity by due rents of October 1952.
- The 2nd, was law No. 55, issued in June 1958 devaluating rents of buildings that has been constructed since September 1952 by a ratio of 20% starting to be valid by rents due for July 1958.
- The 3rd, was law 168 issued in November 1961 devaluating rents of buildings that has been built since June 1958 by a ratio of 20% of the prevailing value and to start its validity by rents due for December 1961.
- The 4th, was law 46 issued in January 1962 setting the rules of fixing the total rental value of buildings to be as follows:-

a. A net revenue as an "investment rate" of 5% of the total value of land at the time of its construction.

plus+b. A depreciation rate of 3 of the net value of buildings covering allowances of capital depreciation plus repairs, maintainance and administration charges.

plus +c. All real estate taxes

- The 5th was law 7 issued in February 1965, devaluating the then prevailing rents subject to laws: 199 of 1952, 55 of 1958, 168 of 1961 - by a ratio of 20% starting to be valid by the due rent of March 1965. Besides, the devaluation of rents subject to law No. 46 of 1962 according to the following rules:-

a. A 35% devaluation of rents that has not been yet finally valuated, starting its validity since the date of the rental contract.

b. The least value of either:

1. Final valuation of rents that has been already valuated.
2. The devaluation of the prevailing rents by a ratio of 35%.

The validity of this law started by rents due for March 1965.

- In 1969 another law was issued changing the rates of law 46 of 1962 to a new basis of valuation, as follows:-

7% as the rate of investment of the total value of buildings.

plus + 3% as the rate of investment of the total value of land.

- In 1978 a new law altered these rates for valuating the rental value to be on the basis of:-

10% of the total value of buildings.

plus + 5% as the total value of lands.

This last law is still valid up till this was written.

IV. Some special surveys for collecting prices of services

A. The "Family budget surveys"

These surveys were intended to collect statistical data about the consumption expenditure, including, rents, and transportation costs, among other services' costs beside the material consumption items.

It was started by a pilot study in 1955. Then the 1st family budget survey was carried out through one whole year of monthly data-collection covering the year 1958/9. The second survey covered the year 1964/5 and the 3rd and last survey covered the year 1974/5. The targets of the last survey may be summed up in the following:-

1. To study the different consumption levels in order to set a basis for estimating the national consumption expenditure.
2. To provide weights for the construction of the consumer's index number.
3. To calculate commodity - elasticities that may be used in future projection of consumption.
4. To study the relations between household demographic features and the structure of consumption expenditure.

The procedure:

1. The survey covered 12 000 households including a portion of 2:1 as between urban and rural locations. The sample was divided into 4 sub-samples each containing 3 000 households and to be surveyed once every 3 months rotatively through the whole year.
2. Expenditure items were classified into 2 groups:-

B. Data to be collected for the last 3 months of the survey about:-

1. Foodstuffs
2. Clothing
3. Feul
4. Cleansing materials
5. Household services
6. Personal cleaning materials
7. Tobacco
8. Consumption expenditures other than included in the tables.

b. Data to be collected for the whole year

1. Rents and similar expenses
2. Furniture and durables
3. Health services
4. Transportation and communication expenses
5. Education costs
6. Recreation costs
7. Personals materials
8. Others.

B. The Survey of Buildings & Dwellings

The Central Statistical Committee initiated in June 1960, a sample survey of metropolitan areas and urban districts with a view to obtaining a clear picture of housing conditions in these centres. The survey has so far been completed in five metropolitan cities, 61 large towns in Lower Egypt and 56 in Upper Egypt.

The survey was conducted by the interview method as well as observation. Each sampled building was visited by the investigating staff and the data were obtained as far as possible from the landlords to be recorded in the Building Schedule.

Again the investigators visited dwellings in the sampled buildings and the data were obtained from the head of the family.

The frame for selecting the samples was the list of buildings compiled by the taxation authorities in each city and capital of governorate. These lists are brought up to data annually by actual enumeration.

A sampling fraction of 2% of the buildings in each unit was fixed and the required number of sample units was drawn at random.

All the dwelling units in each selected building were investigated.

The building schedule included information on such important characteristics as types of the building, the nature of building materials, number of dwellings of different sizes, total areas in square meters, total actually built area, age of the building, number of floors, water supply and general sanitary conditions and facilities etc. .... the total rent as well as the expenses chargeable to the landlord were recorded in the schedule with reference to April 1960.

The dwelling schedule included detailed information with regard to the dwelling as well as the tenants, the relations among individuals sharing the same dwelling, the rent in April 1960, including taxes and expenses charged to the tenant on a regular basis.

The field work was entrusted to local school teachers after being trained on the survey aspects. The municipalities architects were deputized to make a field check of the accuracy of the information collected in the schedules. The completed schedules are now being fully examined for consistency and completeness before being despatched to processing.

Data concerning investment in new building operations during the years 1954-1958, were also collected in a schedule designed for this purpose. The new buildings constructed, in each of the 23 large cities in Egypt during the said years as reported to the taxation authorities were listed. A sample of 10% of the buildings were selected at random of the investigation.

The schedule included information similar to that of the Building Schedule. In addition, the cost of construction or improvements in the building as obtained from the landlord were recorded in the schedule.

V. Some concluding remarks

1. Prices of services other than transport and rent are collected by the different departments of the ministry of planning by, more or less, similar ways for which there is no space to discuss in this paper.

2. Popular housing carried out by the Egyptian Government is subsidized at different levels, thus it is subject to different measures of valuation, rates of which may vary from symbolic fares to even granting free -ownership of dwellings to low income groups. Anyhow all actual or imputed rents of this kind are based on officially set rates.

3. Fixing prices of different service activities is a common official practice in the Egyptian administration. In fact most of which is subject to the manipulation of supply and demand mechanism.